

Indiana town thrives as orthopedic manufacturing capital

By Tim Jones

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WARSAW, Ind. — These days you can't count on people to buy cars, homes and other big-ticket items, not with more than 650,000 workers getting tossed out of their jobs every month.

But you can bet a bundle on this: As long as Baby Boomers keep falling apart, the orthopedic industry, much of it residing in this unpretentious little town in northern Indiana, should keep humming along nicely.

Warsaw, which bills itself as the "orthopedic manufacturing capital of the world," is the happy exception to widening economic misery because about 6,500 busy workers—roughly half the town's population—build replacement hips and knees that, unlike cars and RVs and other items made in this region, are in big demand.

And there is nothing in the overall scary economy to suggest this will change significantly any time soon because people keep falling apart and, according to government figures, are more inclined to want to put themselves back together again. Weekend athletes who blow their knees out, people suffering from arthritis and obesity and those who, unlike their parents, aren't willing to endure years of pain, are fueling the strong demand for replacement knees and hips.

"The expectations of Baby Boomers are that they shouldn't have to live with pain, not like their parents did," said Cheryl Blanchard, senior vice president, research and development and chief scientific officer at Zimmer Inc., one of the three major manufacturers in Warsaw. "And they have an expectation that they will remain active in sports."

From 2000 to 2006, the number of hip replacements soared 87 percent, according to government data. A report issued last month at a gathering of the American Academy of Orthopaedic Surgeons predicted a doubling of knee and hip replacements by 2016.

Glenn Laken, a Chicago commodities and securities trader, is a tiny cog in the engine fueling the replacement hip and knee business.

"I was having all sorts of problems. I was feeling really lousy," said Laken, 55, a former college jock and bar bouncer who still lifts weights three to four days a week and rides an exercise bike

every day for 45 minutes.

Laken received a Warsaw-made right hip the day after Christmas and, with the substantial aid of pain relievers, was back at work the following Tuesday. He is part of a boomer generation clientele that is younger, more active. And falling apart.

While Laken's story is not unusual—people want relief from constant joint pain and worry about how bad hips and knees can affect their performance at work—this is an extraordinarily positive story for a town situated in a county where one in nine people are unemployed.

Kosciusko County is surrounded by economic wreckage and uncertainty. Bankruptcy threatens General Motors and Chrysler plants to the east and south. RV plants to the north are nearly silent, fueling 15 percent jobless rates in two counties. Ethanol plants are hurt by the falling price of crude oil, and across the region are farms growing corn and soybeans that have lost roughly half their value since the summer.

"I pinch myself every day," said Joy McCarthy-Sessing, president of the Warsaw-Kosciusko County Chamber of Commerce. "Many people can choose when to buy a car or a home, but most people can't choose when they need a new hip or a knee."

That painful reality is a beautiful thing for Warsaw, where three of the five largest orthopedic manufacturers — Zimmer, Biomet and DePuy—control about 70 percent of the replacement part business that began here more than a century ago. More than two dozen smaller orthopedic companies do business in the Warsaw area.

The arrival of Revra DePuy in the late 19th Century planted the seeds of the town's orthopedic dominance when he began producing splints.

Warsaw's identification with hips and knees can be seen on street signs, affirming its status as not just a company town, but an industry town. DePuy's headquarters is on Orthopaedic Drive. Zimmer's sprawling production facility on the west side of town is at the intersection of Zimmer Road and Zimmer Lane. Biomet, which moved to Warsaw in 1977, is on Bell Drive, just west of Biomet Drive.

Business has been very good. In 2006, the latest year for available figures, surgeons performed 482,000 hip replacements in the U.S., up from 258,000 in 2000. Knee replacement surgeries grew at a similar pace, with 542,000 in 2006, up from 299,000 in 2000.

"Right now the fastest-growing segment is in the 45- to 64-year-old range," said Bill Kolter, Biomet's corporate vice president for public affairs. About 70 percent of procedures used to be for Medicare patients, he said. "Now it is about 60 percent."

Ann Kazmar is part of that so-called youth movement. A registered nurse, the 59-year-old Kazmar, who says she has been athletic all her life, tore knee cartilage 21½ years ago "and things started going downhill after that," she said.

Kazmar had her left knee replaced in early January and is scheduled for an operation on her right knee this week. "It was restricting my activities ... It's better to do it now," she said.

"I'm so young, and I wanted to do it before other health problems started mounting up," she added, noting that she recently went dancing with her husband. Swing dancing was fine, she said, but the polka was tough.

A report released last month anticipates a doubling of hip and knee replacement surgeries by 2016, with increasingly larger proportions of recipients—more than 50 percent—being younger than 65. The declining economy, though, still may have a lot to say about demand for hips and knees, cautioned Ben Andrew, a medical technology analyst at William Blair & Co. of Chicago.

If unemployment continues to rise, if people lose their health insurance, decide they can't handle the co-pay for a surgery that costs about \$15,000 or conclude they can't afford to be away from work for several weeks to rehabilitate, Andrew said, that could cloud the fortunes of manufacturers.

"In this economy, if you haven't seen an impact yet, wait," Andrew said.

But Dr. Craig Della Valle, an orthopedic surgeon who performed 670 knee and hip replacement operations last year at Rush University Medical Center in Chicago, hasn't noticed any slowdown.

Della Valle said he is seeing more "lawyers, businessmen and administrative assistants" who are worried about deteriorating knees and hips "interfering with their ability to function." Della Valle said the Internet is one factor that drives increasing demand from younger people "who are looking for solutions."

All of which—for now—is good economic news for the little town of Warsaw.

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